

# **PUBLIC DISCLOSURE**

May 11, 2020

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Comenity Capital Bank  
Certificate Number: 57570

12921 South Vista Station Boulevard  
Draper, Utah 84020

Federal Deposit Insurance Corporation  
Division of Depositor and Consumer Protection  
New York Regional Office

350 Fifth Avenue, Suite 1200  
New York, New York 10118

This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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## INSTITUTION RATING

**INSTITUTION'S CRA RATING:** This institution is rated **Outstanding**.

An institution in this group has an outstanding record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Comenity Capital Bank's outstanding Community Reinvestment Act (CRA) performance under the Community Development Test supports the overall rating. Examiners considered the bank's capacity and the need and availability of community development opportunities in the assessment area. The following points summarize the bank's Community Development Test performance:

- Comenity Capital Bank has a high level of qualified investments and community development services.
- Comenity Capital Bank occasionally uses innovative or complex qualified investments, or community development services.
- Comenity Capital Bank exhibits excellent responsiveness to the credit and community development needs in its assessment area and the broader statewide and regional area (BSRA) that includes the assessment area.

## DESCRIPTION OF INSTITUTION

Comenity Capital Bank is a state-chartered, industrial bank headquartered in Draper, Utah (UT) that offers credit cards and also has a limited commercial credit card portfolio. Comenity Capital Bank's primary focus is on consumer credit card lending, including private label and co-brand partners. Comenity Capital Bank operates in all 50 states and offer credit cards through national and regional retailers, manufacturers, distributors, health care providers, dental care providers and time shares. Comenity Capital Bank does not operate traditional bank branches or maintain any retail offices. Customer transactions are conducted through the bank's website, telephone, mail, e-mail, or other forms of electronic communication.

As of December 31, 2019, the bank's assets totaled \$9.3 billion, including total loans of \$7.7 billion, cash balances due from depository institutions totaling \$1.5 billion, and total securities of \$114.6 million. Historically, Comenity Capital Bank was funded through brokered deposits; however, the bank began offering certificates of deposit and high yield savings accounts in May 2019. The bank is a wholly-owned subsidiary of Comenity, LLC, a financial holding company located in Columbus, Ohio. Alliance Data Systems (ADS), also headquartered in Columbus, Ohio, operates as the parent corporation of Comenity, LLC. Comenity, LLC also serves as the parent company of Comenity Bank, a sister institution located in Wilmington, Delaware.

Comenity Capital Bank was assigned an “Outstanding” rating using Limited Purpose Institution Examination Procedures during the prior evaluation, dated October 16, 2017. Examiners did not identify any financial, legal, or other impediments affecting the bank’s ability to meet assessment area credit needs.

## **DESCRIPTION OF ASSESSMENT AREA**

### **Economic and Demographic Data**

The CRA requires each financial institution to define one or more assessment areas within which its CRA performance will be evaluated. Comenity Capital Bank designated its assessment area as the entire political subdivision of Salt Lake County, UT, which is part of the Salt Lake City, UT, Metropolitan Statistical Area (MSA) #41620. The following sections discuss demographic and economic information related to the assessment area.

The assessment area includes all 212 census tracts comprising Salt Lake County, UT. These tracts reflect the following income designations according to 2015 American Community Survey (ACS) data:

- 7 low-income census tracts,
- 51 moderate-income census tracts,
- 86 middle-income census tracts,
- 65 upper-income census tracts, and
- 3 census tracts with no income designation.

The following table illustrates select demographic characteristics of the assessment area.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	212	3.3	24.1	40.6	30.7	1.4
Population by Geography	1,078,958	3.2	22.8	43.1	30.0	0.9
Housing Units by Geography	372,990	3.1	24.3	42.6	29.2	0.7
Owner-Occupied Units by Geography	233,092	1.5	17.5	44.9	35.6	0.5
Occupied Rental Units by Geography	118,800	6.4	36.9	39.4	16.1	1.2
Vacant Units by Geography	21,098	2.3	28.9	35.3	33.3	0.2
Businesses by Geography	109,968	2.9	21.2	39.3	35.8	0.9
Farms by Geography	1,703	2.2	19.8	40.2	37.3	0.4
Family Distribution by Income Level	247,693	19.9	17.6	22.0	40.5	0.0
Household Distribution by Income Level	351,892	22.3	16.6	20.4	40.6	0.0
Median Family Income MSA - 41620 Salt Lake City, UT MSA		\$71,849	Median Housing Value			\$247,942
			Median Gross Rent			\$966
			Families Below Poverty Level			9.2%
Source: 2015 ACS Census and 2019 D&B Data Due to rounding, totals may not equal 100.0 (* ) The NA category consists of geographies that have not been assigned an income classification.						

There are 372,990 housing units. Of these units, 62.5 percent are owner-occupied, 31.8 percent are occupied rental units, and 5.7 percent are vacant.

Data obtained from the U.S. Bureau of Labor and Statistics as of March 2020 reflected a 4.1 percent statewide unemployment rate, while Salt Lake County exhibited a slightly lower 3.7 percent unemployment rate as of March 2020. Both UT and Salt Lake County held a lower unemployment rate as of the same time period than the national unemployment rate of 4.4 percent.

### **Competition**

Comenity Capital Bank's assessment area is highly competitive in the market for financial services. A large number of industrial loan and regional banks are headquartered in Salt Lake City. Many of these banks operate as limited purpose, wholesale or strategic plan institutions as defined by the CRA regulation. These institutions provide a high level of competition for the extension of community development investments and services within the assessment area.

### **Community Contact**

As part of the examination process, examiners reviewed an existing community contact with an organization that serves the assessment area, to assist in identifying the credit and community development opportunities and needs. The organization primarily focuses on attracting new businesses to Salt Lake County and then providing the resources that the businesses may need to stay in the area. The contact stated that although the economy is growing, wages are still lagging to

keep up with the cost of living. They also felt there is a shortage of multi-family and affordable housing within the assessment area. The contact stated the financial institutions that serve this area are involved in various outreach and training events, but also felt there is still an opportunity for lending institutions to allow easier access to funding for local businesses.

### **Credit and Community Development Needs and Opportunities**

Considering information from the community contact, bank management, and demographic and economic data, examiners determined that affordable housing and providing community services to low- and moderate-income individuals represent the greatest community development need in the assessment area.

## **SCOPE OF EVALUATION**

### **General Information**

This evaluation covers the period from the previous evaluation dated October 16, 2017, to the current evaluation dated May 11, 2020. Examiners used Interagency Limited Purpose Institution Examination Procedures to evaluate Comenity Capital Bank's CRA performance. These procedures include a Community Development Test.

The Community Development Test considered the bank's performance according to the following criteria:

- Number and dollar amount of qualified community development investments and participation in community development services;
- Use of innovative or complex qualified investments or community development services; and
- Responsiveness to community credit and development needs.

### **Activities Reviewed**

For the Community Development Test, bank management provided data on community development services and qualified investments since the prior CRA evaluation. This evaluation also considered qualified investments and community development services made by bank affiliates including Alliance Data Card Services, ADS and Comenity, LLC in the assessment of the bank's performance under the investment and services tests. According to the CRA, qualified investments and community development services made by an affiliate may be considered provided that another institution does not receive CRA credit for such activity. Therefore, certain investment and community development service activities were considered on a pro rata basis between Comenity Capital Bank and its sister institution, Comenity Bank. The two banks determined that the pro rata distribution of affiliate community development donations/grants and services would be 42.0 percent to Comenity Capital Bank and 58.0 percent to Comenity Bank. The distribution was based on the asset sizes of the two institutions.

During the evaluation period, Comenity Capital Bank was responsive to the community development needs of its designated assessment area. Therefore, examiners also considered qualified community development activities that benefited the BSRA and/or nationwide area.

## **CONCLUSIONS ON PERFORMANCE CRITERIA**

Comenity Capital Bank demonstrated excellent responsiveness to the community development needs of its assessment area through qualified investments, and community development services. Examiners considered the institution's capacity and the need and availability of such opportunities.

### **Qualified Investments**

The bank made a high level of qualified investments and donations. In addition, the bank made occasional use of innovative or complex investments and donations. Comenity Capital Bank's community development investment activity exhibits excellent responsiveness to credit and community development needs in the assessment area.

Examiners identified 768 qualified investments totaling \$167.3 million during the evaluation period. This total includes 22 new qualified equity investment for \$107.9 million, \$971,000 in qualified grants and donations made directly by the bank, and a \$1.9 million pro rata share of affiliate grants and donations. This dollar amount of total equity investments equates to 1.9 percent of average total assets and 151.2 percent of average securities since the last evaluation.

The bank's qualified investments and donations increased by \$61.5 million, or 58.1 percent, since the previous evaluation conducted in October 2017. Of the total dollar amount, 93.4 percent is related to affordable housing, a significant credit need identified by the community contact.

The following table shows the bank's qualified investments by year and purpose.

Qualified Investments										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	35	56,307	0	0	0	0	1	73	36	56,380
10/1/2017 – 12/31/2017	2	12,108	0	0	0	0	0	0	2	12,108
2018	9	46,186	0	0	0	0	2	500	11	46,686
2019	5	35,907	0	0	0	0	2	7,750	7	43,657
YTD 2020	2	5,501	0	0	0	0	0	0	2	5,501
<b>Total Investments</b>	<b>53</b>	<b>156,009</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5</b>	<b>8,323</b>	<b>58</b>	<b>164,332</b>
Comenity Capital Bank Qualified Grants & Donations	8	51	644	660	20	260	0	0	672	971
Affiliate Qualified Grants & Donations	2	185	36	1,771	0	0	0	0	36	1,956
<b>Total Grants &amp; Donations</b>	<b>10</b>	<b>236</b>	<b>680</b>	<b>2,431</b>	<b>20</b>	<b>260</b>	<b>0</b>	<b>0</b>	<b>710</b>	<b>2,927</b>
<b>Total</b>	<b>63</b>	<b>156,245</b>	<b>680</b>	<b>2,431</b>	<b>20</b>	<b>260</b>	<b>5</b>	<b>8,323</b>	<b>768</b>	<b>167,259</b>
<i>Source: Bank Data</i>										

Below are some notable examples of the bank's qualified investment activities during the evaluation period.

- The bank invested approximately \$12.0 million in a low-income housing tax credit (LIHTC) fund program. The purpose of the LIHTC Fund is to assist in the creation and preservation of affordable housing for low-income households. The LIHTC Fund acquires interests in residential properties constructed or rehabilitated for occupancy by low-income residents. The LIHTC Fund invests in operating entities that are structured as limited partnerships or limited liability companies. The operating entities are single purpose asset entities established to acquire, construct and manage a multi-family apartment property that receives an allocation of Federal low income housing tax credit. The bank's investment is earmarked to Salt Lake County as well as the BSRA of Arizona and Idaho.
- The bank committed \$7.5 million to the Stonehenge Community Impact Fund which is a small business investment company (SBIC). The Stonehenge Community Impact Fund is a \$250 million fund that prioritizes companies located in urban and rural low- and moderate-income areas across the United States with placed-based investing in underserved markets, senior and subordinated debt, non-traditional deal sources, and manufacturing and business services companies. Although it is a nationwide fund, the bank's investment will be



earmarked to serve geographies or individuals located within Salt Lake County and the BSRA.

- During the evaluation period, the bank invested \$57.7 million in 13 mortgage-backed securities. These consisted of 11 Federal National Mortgage Association (FNMA) and Government National Mortgage Association (GNMA) purchases totaling \$41.7 million and two UT State Housing mortgage revenue bonds totaling \$16.0 million.
- Comenity Capital Bank invested \$5.0 million in a CRA Qualified Investment Fund (Fund) which increased the bank's prior period investment from \$10.0 million to \$15.0 million. The Fund's investments were made in two mortgage-backed securities with underlying loans made for multifamily affordable housing; a security that provides loans to borrowers with limited credit histories; a security that financed an affordable rental property in Puerto Rico to support hurricane recovery efforts; and a small mortgage backed security with underlying loans made to low- to moderate-income individuals.
- The bank donated \$30 thousand to a non-profit organization in support of economic development. The funds were allocated to YouthWorks that assists low- and moderate-income high school students with workforce development and job training. The program provides onsite construction and job training, resume building courses, financial literacy classes, and a variety of social skills building activities with the goal of helping low- and moderate-income children succeed in school, the workplace, and in life.
- The bank donated \$33 thousand to a local development corporation in support of community services. The funds were used to fund the organization's Housing Advising and Financial Literacy Programs for low- and moderate-income individuals. This program helps first time low- and moderate-income home buyers achieve and maintain home ownership.

### **Community Development Services**

During the evaluation period, directors, senior officers, and employees, while representing the bank, participated in community organizations and with various nonprofit groups that support community development efforts within the assessment area. During this period, these individuals provided 2,105 hours of community development services to 28 different organizations. This represents a high level of community development services and exhibits excellent responsiveness to credit and community development needs in the assessment area and BSRA.

The following table shows the bank's community development service hours by year and purpose.

<b>Community Development Services by Number of Hours</b>					
<b>Activity Year</b>	<b>Affordable Housing</b>	<b>Community Services</b>	<b>Economic Development</b>	<b>Revitalize or Stabilize</b>	<b>Totals</b>
	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>
10/1/2017 – 12/31/2017	0	30	17	0	<b>47</b>
2018	60	407	98	6	<b>571</b>
2019	151	421	169	10	<b>751</b>
YTD 2020	10	115	21	0	<b>146</b>
Total Affiliate	0	590	0	0	<b>590</b>
<b>Total</b>	<b>221</b>	<b>1,563</b>	<b>305</b>	<b>16</b>	<b>2,105</b>
<i>Source: Bank Data</i>					

Below are some notable examples of the community development services provided by bank personnel:

- A member of management serves on the Board of a nonprofit organization whose mission is to empower individuals, strengthen families and build communities through self-sufficiency and education programs. The organization offers a Head Start pre-school and Early Head Start programs where the vast majority of the children fall within the federal poverty guidelines. This program offers educational activities, medical and dental services, nutritious meals and self-reliance services for the entire family. The organization also helps low-income families find and maintain safe, affordable housing, helps struggling households pay their utility bills and helps low-income households reduce energy costs and increase comfort and safety in their homes.
- A senior bank officer serves on the Board of a nonprofit organization that provides affordable housing throughout the state of UT. The organization builds new single and multi-family housing, rehabilitates existing housing stock, and works to revitalize neighborhoods around the state. The organization also provides a combination of critical community services including homebuyer education, homeowner case management, down payment assistance, and mortgage lending.
- A bank employee serves on the Board of a nonprofit organization dedicated to helping consumers expand financial capability and reclaim their financial future. The organization offers programs and services that assist individuals and families move from crisis to control by creating a long-term action plan for financial security. Programs and services include confidential financial guidance counseling, HUD-approved homebuyer education and foreclosure prevention counseling, debt management relief programs, financial literacy education and other programs that promote financial capability.

## **OTHER ACTIVITIES**

### **SUMMARY OF INSTITUTION'S OTHER COMMUNITY DEVELOPMENT ACTIVITIES**

As encouraged in FDIC Financial Institution Letter 10-2020 and within weeks of the COVID-19 pandemic, the bank initiated consumer relief actions including payment holidays, hardship programs, and early Certificate of Deposit redemption penalty waivers. The bank also developed and implemented a grant strategy to provide impactful grant funding to address health and economic needs associated with the pandemic.

### **DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW**

Examiners did not identify any evidence of discriminatory or other illegal credit practices.

## GLOSSARY

**Aggregate Lending:** The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

**Area Median Income:** The median family income for the MSA, if a person or geography is located in an MSA; or the statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

**Assessment Area:** A geographic area delineated by the bank under the requirements of the Community Reinvestment Act.

**Census Tract:** A small, relatively permanent statistical subdivision of a county or equivalent entity. The primary purpose of census tracts is to provide a stable set of geographic units for the presentation of statistical data. Census tracts generally have a population size between 1,200 and 8,000 people, with an optimum size of 4,000 people. Census tract boundaries generally follow visible and identifiable features, but they may follow nonvisible legal boundaries in some instances. State and county boundaries always are census tract boundaries.

**Combined Statistical Area (CSA):** A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

**Community Development:** For loans, investments, and services to qualify as community development activities, their primary purpose must:

- (1) Support affordable housing for low- and moderate-income individuals;
- (2) Target community services toward low- and moderate-income individuals;
- (3) Promote economic development by financing small businesses or farms; or
- (4) Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies.

**Community Development Corporation (CDC):** A CDC allows banks and holding companies to make equity type of investments in community development projects. Bank CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Bank CDCs are also tailored to their financial and marketing needs. A CDC may purchase, own, rehabilitate, construct, manage, and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization.

**Community Development Financial Institutions (CDFIs):** CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional

financial institutions. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, micro enterprise funds, and community development venture capital funds.

A certified CDFI must meet eligibility requirements. These requirements include the following:

- Having a primary mission of promoting community development;
- Serving an investment area or target population;
- Providing development services;
- Maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means;
- Not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

**Community Development Loan:** A loan that:

- (1) Has as its primary purpose community development; and
- (2) Except in the case of a wholesale or limited purpose bank:
  - (i) Has not been reported or collected by the bank or an affiliate for consideration in the bank's assessment area as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan (as described in Appendix A to Part 203 of this title); and
  - (ii) Benefits the bank's assessment area(s) or a broader statewide or regional area including the bank's assessment area(s).

**Community Development Service:** A service that:

- (1) Has as its primary purpose community development;
- (2) Is related to the provision of financial services; and
- (3) Has not been considered in the evaluation of the bank's retail banking services under § 345.24(d).

**Consumer Loan(s):** A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

**Core Based Statistical Area (CBSA):** The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

**Distressed Middle-Income Nonmetropolitan Geographies:** A nonmetropolitan middle-income geography will be designated as distressed if it is in a county that meets one or more of the following triggers:

- (1) An unemployment rate of at least 1.5 times the national average;
- (2) A poverty rate of 20 percent or more; or

- (3) A population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family. Other family is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

**FFIEC-Estimated Income Data:** The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and nonmetropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

**Full-Scope Review:** A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

**Geography:** A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act (HMDA):** The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants; the amount of loan requested; and the disposition of the application (approved, denied, and withdrawn).

**Home Mortgage Loans:** Includes closed-end mortgage loans or open-end line of credits as defined in the HMDA regulation that are not an excluded transaction per the HMDA regulation.

**Housing Unit:** Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

**Limited-Scope Review:** A limited scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is often analyzed using only quantitative factors (e.g., geographic distribution, borrower profile, total number and dollar amount of investments, and branch distribution).

**Low-Income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

**Low Income Housing Tax Credit:** The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended. It is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department distributes low-income housing tax credits to housing credit agencies through the Internal Revenue Service. The housing agencies allocate tax credits on a competitive basis.

Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits. Or, they may sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains throughout the compliance period, usually 30 years.

**Market Share:** The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

**Median Income:** The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

**Metropolitan Division (MD):** A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

**Metropolitan Statistical Area (MSA):** CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

**Micropolitan Statistical Area:** CBSA associated with at least one urbanized area having a population of at least 10,000, but less than 50,000.

**Middle-Income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

**Moderate-Income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

**Multi-family:** Refers to a residential structure that contains five or more units.

**Nonmetropolitan Area** (also known as **non-MSA**): All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

**Owner-Occupied Units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

**Qualified Investment:** A lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

**Rated Area:** A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

**Rural Area:** Territories, populations, and housing units that are not classified as urban.

**Small Business Investment Company (SBIC):** SBICs are privately-owned investment companies which are licensed and regulated by the Small Business Administration (SBA). SBICs provide long-term loans and/or venture capital to small firms. Because money for venture or risk investments is difficult for small firms to obtain, SBA provides assistance to SBICs to stimulate and supplement the flow of private equity and long-term loan funds to small companies. Venture capitalists participate in the SBIC program to supplement their own private capital with funds borrowed at favorable rates through SBA's guarantee of SBIC debentures. These SBIC debentures are then sold to private investors. An SBIC's success is linked to the growth and profitability of the companies that it finances. Therefore, some SBICs primarily assist businesses with significant growth potential, such as new firms in innovative industries. SBICs finance small firms by providing straight loans and/or equity-type investments. This kind of financing gives them partial ownership of those businesses and the possibility of sharing in the companies' profits as they grow and prosper.

**Small Business Loan:** A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

**Small Farm Loan:** A loan included in "loans to small farms" as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.



**Underserved Middle-Income Nonmetropolitan Geographies:** A nonmetropolitan middle-income geography will be designated as underserved if it meets criteria for population size, density, and dispersion indicating the area's population is sufficiently small, thin, and distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

**Upper-Income:** Individual income that is 120 percent or more of the area median income, or a median family income that is 120 percent or more in the case of a geography.

**Urban Area:** All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, "urban" consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

"Urban" excludes the rural portions of "extended cities"; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.